

CONTENTS AND SUMMARY OF RESULTS

FOREWORD 3

THE CITY BUDGET AND PAYROLL 4

After years of growth, the City budget has begun to shrink in reflection of Honolulu’s economic weakness, although several years late. The number of City government positions has also begun to fall. However, Oahu’s population and the demands on City services appear to be growing. So are incomes.

OPERATING EXPENDITURES 6

Expenditures have continued to grow, though at a slower pace. Spending for sanitation and debt service have spurred the increase.

UNCONTROLLABLE COSTS; SHORT-TERM REVENUES 8

The growth in the City’s “uncontrollable” costs and heavy reliance on short-term revenues are causes for concern.

OPERATING REVENUES 10

Although revenues have kept pace with expenditures, in today’s dollars, revenues per person have actually fallen. Property tax and sewer revenues have been the primary sources of revenue increase.

MAJOR SOURCES OF REVENUE 12

Property taxes per parcel and revenues per motor vehicle have been falling, while sewer revenues have jumped. Solid waste revenues per ton disposed have shown no clear trend.

MAJOR SOURCES OF PROPERTY TAX REVENUE 14

Property tax bills for residential properties have long been declining, the tax bills for Hotel/Resort and Industrial properties have eased, while those for Commercial properties have remained relatively high.

FUND BALANCE AND LIQUIDITY 16

The City enjoys a substantial fund balance and cash position to meet its financial obligations. However, this does not necessarily mean the City has strong financial reserves.

CAPITAL EXPENDITURES 18

Capital spending has swung widely and lately was a fraction of what it was in the late 1980's and early 1990's. But the proposed budget moves the capital budget to a new high.

DEBT SERVICE 20

Because of the boom in capital spending in the late 1980's and early 1990's, the City's debt service burden is relatively high. The proposed budget anticipates an even heavier burden, which warrants concern.

NET INCOME/LOSSES IN ENTERPRISE FUNDS 22

After falling into the red, the HPower fund has improved somewhat. The Housing Development Special Fund earlier posted strong gains in net income but then weakened. The Board of Water Supply funds are recording tremendous net income results. The Bus Transportation fund has experienced steady net losses, even after subsidies are accounted for.

ENDNOTE 24

The City needs to develop realistic budget forecasts and operational and facility plans.

REFERENCES 25